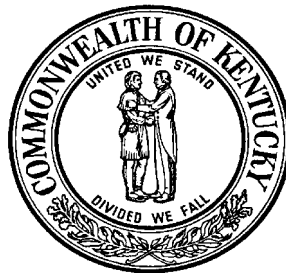


**REPORT OF THE AUDIT OF THE
MONROE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MONROE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Monroe County Fiscal Court audit for the fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash Balances/Retained Earnings decreased by \$210,016 from the beginning of the year, resulting in a cash surplus of \$1,004,129 as of June 30, 2002.

Debt Obligations:

Loan agreements totaled \$18,034 as of June 30, 2002.

Capital lease principal agreements totaled \$40,969 as of June 30, 2002. On August 21, 2002, this amount was paid.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Russell Young, Monroe County Judge/Executive

Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Monroe County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Monroe County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Monroe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity balances of Monroe County, Kentucky as of June 30, 2002, its receipts and disbursements, and the cash flows of its proprietary fund type for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Russell Young, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2002 on our consideration of Monroe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Monroe County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 11, 2002

MONROE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Russell Young	County Judge/Executive
Alonzo Ford	Magistrate
Bill Ferguson	Magistrate
Maxie Harlan	Magistrate
Ronnie Hollinsworth	Magistrate
James Gill	Magistrate

Other Elected Officials:

Douglas Carter	County Attorney
Freddie Kirkpatrick	Jailer
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Jerry Gee	Sheriff
Louis Carter	Property Valuation Administrator
Billy Paul Smith	Coroner

Appointed Personnel:

Sheryl Conkin	County Treasurer
Cathy Page	Occupational Tax Collector

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

MONROE COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND
EQUITY ARISING FROM CASH TRANSACTIONS

For The Fiscal Year Ended June 30, 2002

	Governmental Fund Type	Proprietary Fund Type	Totals (Memorandum Only) Primary Government
	<u>General</u>	<u>Enterprise</u>	
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash	\$ 983,375	\$	\$ 983,375
Restricted Cash-			
General Fund	19,254		19,254
Jail Canteen Fund		1,500	1,500
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 1,002,629	\$ 1,500	\$ 1,004,129
<u>Other Resources</u>			
Amounts to be provided For			
In Future Years For Fire Truck:			
Capital Lease Agreement -			
Principal (Note 6)	\$ 40,969	\$	\$ 40,969
Note Principal (Note 5)	18,034		18,034
	<u> </u>	<u> </u>	<u> </u>
Total Other Resources	\$ 59,003	\$ 0	\$ 59,003
	<u> </u>	<u> </u>	<u> </u>
Total Assets and Other Resources	<u>\$ 1,061,632</u>	<u>\$ 1,500</u>	<u>\$ 1,063,132</u>

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
 ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	Governmental Fund Type	Proprietary Fund Type	Totals (Memorandum Only) Primary Government
	General	Enterprise	
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Capital Lease Obligation (Note 6)	\$ 40,969	\$	\$ 40,969
Note Payable (Note 5)	18,034		18,034
Total Liabilities	\$ 59,003	\$	\$ 59,003
<u>Equity</u>			
Retained Earnings:			
Restricted	\$	\$ 1,500	\$ 1,500
Fund Balances:			
Reserved (Note 8A, B, and C)	26,167		26,167
Unreserved	976,462		976,462
Total Equity	\$ 1,002,629	\$ 1,500	\$ 1,004,129
Total Liabilities and Equity	\$ 1,061,632	\$ 1,500	\$ 1,063,132

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MONROE COUNTY
STATEMENT OF CASH RECEIPTS, CASH
DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,537,239	\$ 1,467,334	\$ 944,937	\$ 91,079
Receipts - Jail Canteen	15,405			
Other Financing Sources:				
Transfers In	166,060			160,000
Total Cash Receipts	<u>\$ 2,718,704</u>	<u>\$ 1,467,334</u>	<u>\$ 944,937</u>	<u>\$ 251,079</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,716,428	\$ 1,252,734	\$ 1,185,916	\$ 251,435
Expenditures - Jail Canteen	14,186			
Other Financing Uses:				
Schedule of Other Expenditures	15,179			
Transfers Out	166,060	166,060		
Capital Lease Agreement:				
Principal Paid	11,867	11,867		
Borrowed Money Repaid	5,000			
Total Cash Disbursements	<u>\$ 2,928,720</u>	<u>\$ 1,430,661</u>	<u>\$ 1,185,916</u>	<u>\$ 251,435</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (210,016)	\$ 36,673	\$ (240,979)	\$ (356)
Cash Balances - July 1, 2001	<u>1,214,145</u>	<u>647,746</u>	<u>496,696</u>	<u>25,111</u>
Cash Balances - July 1, 2002	<u>\$ 1,004,129</u>	<u>\$ 684,419</u>	<u>\$ 255,717</u>	<u>\$ 24,755</u>

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH
 DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

<u>General Fund Type</u>		<u>Enterprise Fund Type</u>
Local		
Government	Monroe	
Economic	County Fire	
Assistance	And Rescue	Jail Canteen
Fund	Squad Fund	Fund
<hr/>		<hr/>
\$ 17,514	\$ 16,375	\$
		15,405
<hr/>		<hr/>
	6,060	
<hr/>		<hr/>
\$ 17,514	\$ 22,435	\$ 15,405
<hr/>		<hr/>
\$ 26,343	\$	\$
		14,186
	15,179	
<hr/>		<hr/>
	5,000	
<hr/>		<hr/>
\$ 26,343	\$ 20,179	\$ 14,186
<hr/>		<hr/>
\$ (8,829)	\$ 2,256	\$ 1,219
39,654	4,657	281
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\$ 30,825	\$ 6,913	\$ 1,500
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS-
PROPRIETARY FUND TYPE

MONROE COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmates	\$ 15,405
Payments to Suppliers	(14,056)
Other Payments	<u>(130)</u>
Net Cash Provided By Operating Activities	<u>\$ 1,219</u>
Net Increase in Cash	\$ 1,219
Cash and Cash Equivalents - Beginning	<u>281</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 1,500</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 1,219
Net Changes in Assets and Liabilities	<u> </u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,219</u></u>

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Monroe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Monroe County Fire and Rescue Squad, Inc., and Monroe County Tourist and Convention Commission as part of the reporting entity.

Monroe County Fire and Rescue Squad, Incorporated

On March 22, 1995, the Monroe County Fiscal Court (Fiscal Court) created the Monroe County Fire and Rescue Squad, Inc. (Fire and Rescue Squad) to respond to emergency situations. The Fire and Rescue Squad is managed by four officers (chief, assistant chief, and two captains) who are elected every two years by members of the Fire and Rescue Squad. After being elected, the chief and assistant chief are approved by Fiscal Court. The Fire and Rescue Squad bills and collects a fee for its fire runs. However, this money is turned directly over to the Fiscal Court. The Fiscal Court reimburses the monthly expenses of the Fire and Rescue Squad. In fiscal year 2002, the Fire and Rescue Squad received \$6,060 from the Fiscal Court. The Fire and Rescue Squad is fiscally dependent upon the Fiscal Court and the Fiscal Court can impose its will on the entity. Therefore, the Fire and Rescue Squad's financial activity is included in the Fiscal Court's financial statements using the blending method.

Monroe County Recreational, Tourist and Convention Commission

On January 16, 2002 Monroe County Fiscal Court (Fiscal Court) established the Monroe County Recreational, Tourist and Convention Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Monroe County. The Commission is composed of seven members appointed by the Monroe County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On January 16, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax. The Fiscal Court currently collects "3% of the gross rent for every occupancy of a suite, room or rooms charged and collected." The Fiscal Court is to issue monthly checks to the Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Commission should be presented discretely. The Commission did not have financial activity during fiscal year 2002 therefore an audit report was not issued.

MONROE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Additional - Monroe County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Monroe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Monroe County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Monroe County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and the Monroe County Fire and Rescue Squad Fund.

2) Proprietary Fund Type

The Proprietary Fund Type is an enterprise fund used to report an activity for which a fee is charged to external users for goods or services. The Monroe County Proprietary Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Monroe County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Monroe County Fire and Rescue Squad Fund and Monroe County Jail Canteen Fund. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Monroe County Fiscal Court: Monroe County Water District, Fountain Run Water District, and Monroe County Ambulance Taxing District.

Note 2. Deferred Compensation

On March 21, 2001, the Monroe County Fiscal Court voted to allow all full time employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by full time employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is present in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Receivables

The Monroe County Fiscal Court allowed customers of the Monroe County Transfer Station to charge dumping fees. As of June 30, 2002, the Monroe County Fiscal Court has \$115 in dumping fees as outstanding receivables.

Note 5. Long Term Debt

On March 9, 2001, the Monroe County Fire and Rescue, Inc. entered into a promissory note with Peoples Bank of Tompkinsville (now Edmonton State Bank). The note was for the purchase of a fire truck. The principal was \$23,034 at initial interest rate of 8.75%. Principal outstanding as of June 30, 2002, is \$18,034.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>
2003	8.75% -19%	\$ 5,000
2004	8.75% -19%	5,000
2005	8.75% -19%	5,000
2006	8.75% -19%	<u>3,034</u>
Totals		<u>\$ 18,034</u>

Note 6. Capital Lease Agreement

On April 14, 1995, the Monroe County Fiscal Court entered into a lease-purchase agreement with Emergency One, Inc. The lease-purchase agreement was for the purchase of a fire truck. The principal was \$109,067 at 7.19 percent interest for a period of 10 years, interest and principal paid annually. However, on June 19, 2002, the Monroe County Fiscal Court voted “. . . to pay off the fire truck . . .” On August 21, 2002, the Monroe County Fiscal Court paid the remaining amount of the lease payment requirements as reflected in the below schedule. Principal outstanding as of June 30, 2002, is \$40,969. Lease payment requirements are:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2003	<u>\$ 2,946</u>	<u>\$ 40,969</u>

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 7. Grants

A. Water Line Extension Grant

Monroe County Fiscal Court was awarded a grant for \$500,000 from the Finance and Administration Cabinet, Commonwealth of Kentucky, acting through the Kentucky Infrastructure Authority, a governmental agency of the Commonwealth of Kentucky, to assist in the construction of water lines in Monroe County. This grant is a reimbursement grant. The Fiscal Court is reimbursed by the Commonwealth of Kentucky after expending the funds for the construction of the water lines. As of June 30, 2001, the amount due from the Commonwealth of Kentucky was \$31,128. During fiscal year 2002, the Monroe County Fiscal Court received grant funds of \$300,000 and spent funds totaling \$268,872. The unexpended balance as of June 30, 2002, was \$0.

B. Parks Improvement Grant

Monroe County Fiscal Court was awarded a grant for \$100,000 from Kentucky Department of Parks, Commonwealth of Kentucky, to make improvements to the Fountain Run Park and the Gamaliel Park. The unexpended balance as of June 30, 2001, was \$34,267 (\$31,256 for Fountain Run Park and \$3,011 for Gamaliel Park). During fiscal year 2002, the Monroe County Fiscal Court expended these grant funds appropriately leaving an unexpended balance of \$0.

C. PRIDE Grant

Monroe County Fiscal Court was awarded grants for \$20,070 and \$42,500 from PRIDE, Inc. through the PRIDE Community Grant Program, to provide funds for environmental improvement projects. The grant is a reimbursement grant. The Fiscal Court is reimbursed by PRIDE, Inc. after expending the funds for environmental improvement projects. As of June 30, 2001, the amount due from PRIDE, Inc. was \$20,070. During fiscal year 2002, the Monroe County Fiscal Court received grant funds of \$20,070 and spent funds totaling \$42,500. The amount due from PRIDE, Inc. as of June 30, 2002, was \$42,500.

Note 8. Reserved Fund Balances

A. General Fund

The Monroe County Fiscal Court received funds from the Board of Emergency Medical Service, Commonwealth of Kentucky, to assist in the purchase of ambulance or equipment and provide for and educate trained emergency medical services personnel. The unexpended balance as of June 30, 2001, was \$21,647. During fiscal year 2002, the Monroe County Fiscal Court received grant funds totaling \$19,254 and spent funds totaling \$21,647. The unexpended balance as of June 30, 2002, was \$19,254.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 8. Reserved Fund Balances (Continued)

B. Monroe County Jail Canteen

The fund balance of the Monroe County Jail Canteen is reserved because these funds are legally restricted to be used for the benefit and/or recreation of the inmates. As of June 30, 2002, the fund balance of the Monroe County Jail Canteen was \$1,500.

Note 9. Settlement of Litigation

In April 1998, the Monroe County Attorney, on behalf of the Monroe County Fiscal Court and Monroe County Taxing Districts, filed a lawsuit against the former Monroe County Sheriff Beverly McClendon and his bonding company, Ohio Farmers Insurance Company. This lawsuit seeks to recover the deficit of \$180,726 in the former Sheriff's tax account. On March 31, 1999, this lawsuit was amended to include the deficit of \$64,973 in the former Sheriff's fee account. The Monroe County Fiscal Court received a Summary Judgment from the Monroe County Circuit Court in the county's favor on June 6, 2000. On October 18, 2000, the Monroe County Attorney received a Notice of Certification of Record of Appeal. The former Monroe County Sheriff Beverly McClendon appealed this decision to the Kentucky Court of Appeals. On January 23, 2002, the Monroe County Treasurer received a check from the former Monroe County Sheriff Beverly McClendon in the amount of \$89,768. The Monroe County Board of Education received a check in the amount of \$79,974. On March 20, 2002, the Monroe County Treasurer paid the taxing districts. On February 13, 2002, the Monroe County Circuit Court entered an Agreed Order of Judgment Satisfaction and Dismissal stating that ". . . the judgments entered by the Court on June 9, 2000, including any award of interest relating to the judgments by subsequent orders of this Court, have now been satisfied in full"

Note 10. Insurance

For the fiscal year ended June 30, 2001, Monroe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 11. Subsequent Events

On August 21, 2002, the county elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems beginning in October 2002. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees will be 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MONROE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 969,593	\$ 1,467,334	\$ 497,741
Road and Bridge Fund	808,723	944,937	136,214
Jail Fund	71,445	91,079	19,634
Local Government Economic Assistance Fund	6,400	17,514	11,114
Totals	<u>\$ 1,856,161</u>	<u>\$ 2,520,864</u>	<u>\$ 664,703</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 1,856,161
Add: Budgeted Prior Year Surplus	1,046,696
Less: Other Financing Uses	<u>(17,927)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 2,884,930</u>

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SCHEDULE OF OPERATING REVENUE

MONROE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>GOVERNMENTAL FUND TYPE</u>	
<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 803,943
In Lieu Tax Payments	29,733
Excess Fees	39,035
Licenses and Permits	11,646
Intergovernmental Revenues	1,592,861
Charges for Services	7,783
Miscellaneous Revenues	20,164
Interest Earned	<u>32,074</u>
Total Operating Revenue	<u>\$ 2,537,239</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MONROE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 535,992	\$ 508,078	\$ 27,914
Protection to Persons and Property	406,065	358,091	47,974
General Health and Sanitation	337,086	335,517	1,569
Social Services	5,000	1,869	3,131
Recreation and Culture	34,267	34,267	
Roads	1,108,265	1,047,529	60,736
Airports	9,000	9,000	
Capital Projects	123,867	123,867	
Administration	325,388	298,210	27,178
Total Operating Budget - All General Fund Type	\$ 2,884,930	\$ 2,716,428	\$ 168,502
Other Financing Uses:			
Transfers to Monroe County Fire And Rescue Squad Fund	6,060	6,060	
Capital Lease Agreement- Principal on Lease	11,867	11,867	
TOTAL BUDGET - ALL GENERAL FUND TYPE	<u>\$ 2,902,857</u>	<u>\$ 2,734,355</u>	<u>\$ 168,502</u>

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SCHEDULE OF OTHER EXPENDITURES

MONROE COUNTY
SCHEDULE OF OTHER EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>Expenditure Items</u>	<u>GOVERNMENTAL FUND TYPE</u>	
	<u>General Fund Type</u>	
	Monroe County Fire And Rescue Squad Fund	
Building Maintenance	\$	165
Equipment Maintenance		340
Gas and Oil		1,599
Interest Paid - Borrowed Money		1,220
Janitorial Supplies		287
Miscellaneous		3,117
New Equipment		3,578
Office Supplies and Telephone		1,482
Radio and Pagers		741
Training		78
Utilities		1,216
Vehicle Maintenance		1,356
Total Expenditures	\$	<u>15,179</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Russell Young, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Monroe County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Monroe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 11, 2002

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MONROE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MONROE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2002

The Monroe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

